



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 27, 2011

Mr. Stuart Drown
Executive Director
Little Hoover Commission
925 L St., Suite 805
Sacramento, CA 95814

Dear Mr. Drown:

Thank you for the invitation to testify at the June 2, 2011 hearing on the reorganization plan to consolidate the majority of the functions of the Department of Personnel Administration (DPA) and State Personnel Board (SPB) into the new California Department of Human Resources (CalHR).

In your May 13, 2011 letter you requested input from the Department of Finance on the following issues as they relate to the reorganization proposal:

How would the reorganization affect the 2011-12 budget and the subsequent annual budgets?

The 2011-12 May Revision identifies a two-year phase-in savings for the July 1, 2012 consolidation of DPA and SPB into the new CalHR starting in fiscal year 2012-13. In 2012-13, the savings is estimated at \$2.2 million (\$0.3 million General Fund) and 24.3 personnel years and increasing to a full year value in 2013-14 of \$4.3 million (\$0.7 million General Fund) and 48.3 personnel years.

In conjunction with the consolidation, the 2011-12 May Revision proposes to eliminate funding for the HR Modernization Project. This project was created in 2007-08 to streamline the state's civil service process and will be absorbed within the proposed CalHR. The 2011-12 savings is estimated at \$5.5 million (\$2.3 million General Fund) and 11.3 positions and a full year value in 2012-13 of \$5.7 million (\$2.4 million General Fund) and 12.3 positions.

The personnel year savings and positions for HRMod were netted from the \$5.8 million savings identified in the Governor's Reorganization Plan (GRP) Number 1.

Is the estimate of a 15 – 20 percent staffing reduction reasonable? What factors would affect the ability of CalHR to reach that target?

Yes, the staffing reduction identified in the GRP Number 1 is reasonable.

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The 2011-12 May Revision recognizes the phase-in of \$5.8 million in personal costs savings and the reduction of approximately 60 personnel years. A total of 12.3 personnel years are identified as part of the HRMod elimination in 2011-12.

The Department of Finance will provide the necessary assistance during the consolidation process to identify the areas where the remaining staffing reductions and savings can be achieved.

Is a 15 percent reduction of personnel staff at the department level also achievable through the reorganization?

The GRP Number 1 cites departmental level reductions as "future savings". The 15 percent was not identified as a definite reduction, but rather what the value would be if a 15 percent reduction in staffing could be achieved. Until there are specific efficiencies identified, we do not know what level of reduction would be reasonable.

Should you have any question or need additional information prior to the hearing please contact me at (916) 445-3274.

Sincerely,



Diana L. Ducay
Program Budget Manager